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EUROPEAN UNION: THE CONTINUING SEARCH

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EUROPEAN UNION: THE CONTINUING SEARCH

Within the past six months, the European Economic Community has assured its continued existence by completing its common agricultural policy and establishing a firm schedule for the removal of all internal tariff barriers. The groundwork thus laid for an eventual federal system survived essentially intact from De Gaulle's assault on it last year. Moreover, France's progressively greater involvement in the Common Market and the two other six-nation communities is a restraint on future French moves against them. Most of the Outer Seven--the members of the European Free Trade Association (EFTA)--again eagerly await the chance to become in some way a part of the community system.

Despite these steps, the will to achieve a united Europe has declined since the founding of the communities a decade ago. De Gaulle's actions have tended to discourage efforts toward unity by the community bureaucracy, to provoke nationalistic reactions in the other member states, and to raise doubts about the validity of the original community design. European opinion may be increasingly attracted either to national solutions to shared problems, or to the "cooperation and coordination" among sovereign states which De Gaulle has always advocated.

The main prospect of preventing this and of accelerating the pace toward union seems to rest with Britain and a decision on its part to try once again to "join Europe." London has been stepping up its probe of Continental sentiment, and although it is virtually certain that De Gaulle still opposes Britain's membership in the Common Market, it is less certain he could afford a second veto. In any event, a new and determined British effort to join the EEC would dramatically alter the whole European equation.

Consequences of the Agricultural Settlement

The agreements reached by the EEC Council last May on the common agricultural policy (CAP), its financing, and the Common Market's agricultural "offers" in the Kennedy Round were landmarks with implications going far beyond the establishment of a single agricultural market for the Six. The economic and financial interdependence of the Six have as a result been given further emphasis. This was acknowledged in the

concurrent agreement to complete the industrial customs union by mid-1968 and to achieve a "balanced development" of the community. The latter will require early decisions to harmonize tax systems and broaden the scope of the EEC's commercial policy. It will also require an increased community role in "social" (labor) policies and regional planning, and coordination of laws regulating the establishment of companies.

If the agricultural settlement has emphasized the necessity for progress in other economic areas, it has also highlighted the growing political "imbalance" within the community. The achievement of the CAP has resulted, more positively than anything else, in the transfer to the community of prerogatives normally those of national sovereignty. The day-to-day administration of agricultural policy is centralized in the EEC Commission, which has become virtually indispensable in this area of community activity. While decisions on prices of important agricultural commodities and other measures affecting farmer income remain within the competence of the EEC Council--made up of representatives of the national governments--the Council is nevertheless a community organ, influenced by its working relationships with the other community institutions and subject to community rules. Although this is contested by the French, agricultural policy is now subject to decision by majority voting in the Council, acting on proposals which originate with the Commission.

The fact of French opposition, however, has left a grave uncertainty over the extent to which the majority voting rules and the Commission's rights of initiative can be effectively utilized. Commission proposals intended to satisfy demands for a "democratization of the European communities" led to the crisis last year in which France boycotted the community bodies. The Commission had proposed an increased role for the European Parliament in order to assure legislative control over funds the expenditure of which was no longer a function of the member states. While these concepts of community parliamentary control over community financial resources and expenditures were wholly unacceptable to De Gaulle, the crisis ended last February with an agreement-to-disagree, in which it was decided to postpone settlement of these issues until 1970. Thus, while economic integration has allowed community policy to supersede purely national decision making in economic matters, political sovereignty at the community level has not grown correspondingly.

Under these circumstances, economic integration may tend to increase rather than decrease the possibilities for political conflict within the community. Until the community acquires the political institutions to deal with common problems, the EEC is likely to be a system of government by "permanent crisis." The achievement of the agricultural policy demonstrated the indispensability of the Commission's mediating role

to the community's effective functioning. The current stalemates over transport policy, over a common policy for companies operating within the EEC, and over means for dealing with the coal and steel "crises" also argue for vigorous initiatives from an executive representing the common interest. Although labor, farm, consumer, and industrial groups throughout the community increasingly perceive that their interests transcend national boundaries, they have not yet found the means effectively to represent these interests at the community level--when most political power remains with the states.

Marking Time

The important areas of policy in which the community has at best marked time indicate the difficulties it faces in moving from the present foundations toward full economic union.

One of these is a common policy for transportation to minimize the differences in the member countries' transport costs--an important obstacle to freer competition once intracommunity tariff barriers have been eliminated. The main protagonists in this instance are the French and the Dutch. The conflict is between the French desire--shared in general by the Commission and the other member states--for strict regulation of prices and competitive conditions in the transport market, and the more "liberal" Dutch position which seeks to preserve the advantageous competitive position of the Netherlands' transport industry. The current impasse, however, also results from the Commission's failure to regain the initiative it lost early in the negotiations when it handed over to the transport ministers of the Six the principal responsibility for working out a common policy.

Another important area in which there is general recognition of the need for--and failure to obtain--community action is company law. The French have in fact taken the lead in pushing for community consideration of the "harmonization" of existing national legislation to remove some of the legal and administrative hindrances to community-wide operations. An opposing point of view, however, aims at an agreement which would be signed by the Six and which would make it possible to set up European companies operating under what would be community law. Here again, the Dutch are the most reluctant to consider any approach to a European company law--perhaps because as the French suspect, they are not anxious to create competition against such large-scale "European" enterprises as Unilever and Phillips in which the Dutch stake is so large. The lesson here, as elsewhere perhaps, is that as the momentum toward European union declines, the reluctance to jeopardize present national economic advantages increases.

In still another area--science and research policy--in which the need for community policy is increasingly evident, the treaty provisions are vague or nonexistent, and the Commission's

prerogatives to take initiatives in the common interest are weak. It can be expected that De Gaulle will take advantage of this--and of the differences between the EEC and EURATOM Commissions over how common policy on technology should be approached--to advocate intergovernmental cooperation rather than exercise of authority by the Commission.

This attitude, however, might not persist in a post - De Gaulle era. The French, hoping to improve the international competitive position of the Six, have tended to take the lead in efforts to stimulate community interest in policies affecting research and related areas. Moreover, current Gaullist international political exigencies apart, the idea of a centralized bureaucracy is a very natural one for the French--it is embedded in their history, is still their preferred way of organizing things domestically, and in fact largely inspired the original community design.

Coal and Steel Crisis

The current difficulties in the Coal and Steel Community (ECSC)--the pioneer community of European economic integration--also demonstrate the problems of exercising already existing "federal powers." The Paris treaty establishing the ECSC gave its executive, the High Authority (HA), considerably more independence under certain circumstances than the Rome treaties gave the commissions of the EEC and EURATOM. The HA has always moved gingerly in using its powers, however, especially in dealing with the surplus production in coal and falling steel prices which now obtain.

The Germans want community help in subsidizing their coal production, but the French--who have already granted national subsidies to their own state-controlled coal production--have blocked this. The HA will try again this month to get Council approval of new proposals for community financial aid, but it is not known whether the French position has changed. German agreement to reduce coal production still more would seem a prerequisite for community aid, but this may be a difficult step for Bonn to take, especially during the present governmental crisis.

Since one element in the rising production costs of the steel industry is the high price for European coal, the steel industry is deeply interested in getting them down. The resulting pressures to reduce coal costs--by national measures, if necessary--coincide with the announced plans of both the French and German steel industries to "rationalize" the steel market within their respective national boundaries.

The HA is making a last-ditch attempt to reassert its authority in these sectors, hoping for agreement on proposals which would alleviate the present difficulties, modernize the industries concerned, and avoid mere protection of inefficient operations. A recent spate of gloomy articles in the European press about the future of the ECSC and French Foreign Minister Couve de

Murville's derogatory remarks about its ineffectiveness--the result largely of French obstruction--have apparently spurred the HA to test its powers. The stringent measures the High Authority could ask the members to take, once it had declared a "manifest crisis," could spark another major community battle in the near future.

Merger of Executives

It is generally recognized, however, that a long-term solution to the coal problem can only be found in an over-all common energy policy. With this, sacrifices in the coal sector could be placed in the contest of plans for the utilization and exploitation of oil, natural gas, and nuclear energy as well. Real progress, however, on such a policy will almost certainly have to await the establishment of a single commission which would bring together the respective competencies of the ECSC, the EEC, and EURATOM.

Although it was agreed in the February settlement of the EEC crisis to implement the treaty which calls for merging the executives of the three present communities as an interim step to merging the three communities themselves, this is still being held up by the inability of the Six to agree on the new Commission's personnel. The deadlock is attributable specifically to De Gaulle's dislike for EEC President Hallstein and his unwillingness to accept Hallstein as head of the merged Commission. A high official of the French permanent delegation in Brussels recently told the US mission that if Hallstein were to leave, fusion could be accomplished promptly.

It was widely held earlier that the French were anxious to move toward fusing the communities since this would provide the opportunity to rewrite the treaties in closer accord with De Gaulle's views. As a result of last year's crisis, however, De Gaulle may have realized that the Five would strongly resist any renewed attack on the treaties. By blocking a fusion of the three executives, damaging morale in the executives, and inhibiting policy making in certain areas, De Gaulle may see an opportunity to further his aims with less risk of counterattack. Moreover, if the damage to the community executives becomes serious enough, the French might suppose that the Five will themselves be willing to make concessions in order to achieve executive merger.

The Community Balance Sheet

Despite the growing awareness that further community progress may increasingly depend on a deliberate political will to favor community over national interests, that will seems to be lacking. It is doubtful that the community will soon acquire in other areas the near-federalist authority it now exercises in agriculture. De Gaulle for his part has made clear his intent to restrict wherever possible the transfer of effective authority to community administration. Moreover, the constant French hostility, the stalemate on executive merger, and the grave

doubts which De Gaulle's policies raise in general all have their erosive effect. While on the whole the community has shown remarkable staying power in the face of crisis, it may be less able to resist attrition. Serious observers of European integration have in the past held that if the communities do not advance they will tend to decline.

Nevertheless, since the agricultural settlement was reached, almost no European official considers the continuation of the community open to serious question. Regardless of the difficulties, it has proved possible for the EEC to move forward with the intricate negotiations involved in the Kennedy Round, and the prospect for a reasonably satisfactory settlement looks increasingly bright. Despite De Gaulle's antipathy for majority voting, the members go on voting the community budgets over French objections. A "code of good conduct" which De Gaulle sought to impose on the Commission is generally considered a dead letter. He has not succeeded in purging the Commission personnel, and when the situation has required it, the Commission has been able to exercise the creative role for which it was designed.

It is in any case increasingly clear that the future of the community is unlikely to be determined by the exigencies of its own internal development. Neither of the two major shocks the EEC has incurred in the past eight years--the French veto of Britain's accession in 1963 and the seven-month French boycott of community institutions last year --was wholly an "internal" crisis, and each had implications going far beyond the European context. In the present case as well, the further development of the community will depend in considerable part on how the NATO crisis is finally resolved, on future trends in East-West relations, on how favorable an outcome there is to the Kennedy Round, and on how serious Britain's revived interest in membership may prove to be.

The View From Paris

Whether De Gaulle has a grand design or operates only in response to immediate opportunities, he has consistently aimed at preserving the dominance of French influence in Europe. Britain is a potential rival which, either because of its strong ties with the US or its potential common interests with the Germans, or both, could overcome French preponderance. De Gaulle provoked last year's EEC crisis in an attempt to bury once and for all the unique supranational features which he has never seen as a safeguard for French interests but only as a threat to the exercise of Paris' freedom of action.

Against the concept of a federal organization growing out of the economic communities as the basis for unity in Western Europe, and hence the basis as well for resolving the "German problem," De Gaulle has persistently postulated a confederal "Europe of states." When this notion failed to carry the Six, the French-German treaty of cooperation was proposed and signed.

In his most recent press conference on 28 October, De Gaulle again referred to the desirability of political union among the Six, but he must know there is less chance now than ever for agreement among them on the foreign and defense policies he would impose on such a union.

Indeed, French withdrawal from NATO has served to underscore what has always been evident: that a political union along De Gaulle's lines means following the French lead. De Gaulle's attempt to eliminate community organization as a basis for political unity is part of this concept. If the EEC could really be counted out, the alternative remaining to the other Europeans--once the French isolated themselves on essential issues of foreign and defense policy--would appear to be their increased reliance on the US. De Gaulle might assume, however, that this would not be a durable solution, and eventually each would have to return to "Europe" --and De Gaulle. Moreover, the NATO crisis has shown in fact that German preponderance, once France is out of the picture, arouses anxiety among the other Europeans--a concern which is scarcely conducive to European structures based, as the community is, on the concept of equality among the major participants.

The Germans

In recent years it has been a cardinal trend of German policy to avoid a "choice between Paris and Washington." As the NATO crisis has evolved since last March, Bonn has in fact shown itself increasingly loathe to take a strong stand against the French, and De Gaulle's recent press-conference references to the demise of Franco-German cooperation seems intended to increase the pressure on Bonn during the present government crisis. The reaction there, however, of the German Foreign Ministry's leading French expert, who was confident that no German chancellor at this point in history could meet the conditions set by De Gaulle for Franco-German cooperation, may be a sign of growing realism.

It is also possible that the calls of German "Gaullists" for Bonn's dependence on an alliance with France will grow more hollow. In any case, they may be forced eventually to acknowledge that such an "alliance" would be a first step toward German imitation of the nationalist stance of the French. This may be why such leaders as Franz Josef Strauss feel it necessary to talk as much about "European unity" as about not antagonizing Paris. If it remains unclear what Strauss means by European unity, it is nevertheless true that the option of seeking unity based on integration of the Six remains open to Bonn. Moreover, it offers Germany both membership in good standing in the community of Western nations and an honorable position with regard to France.

French pressure, however, has had its effect on Germany. It has not only intimidated the Germans in NATO discussions but also in the economic communities. Any new German government seems certain to concentrate more on

safeguarding German interests, but the question is in what direction. In the communities, Bonn will have to be more willing than it has been recently to run up against French opposition on such matters as the Kennedy Round, coal subsidies, commercial policy, and other areas where Bonn has felt slighted in the past. If, however, the Germans cannot provide the leadership required to give a new impetus to the Common Market, this push must come from elsewhere--and the UK is the only likely source at the present time.

Faithful Albion?

There is little doubt that the British Government is more inclined than at any time since 1962 toward seeking Common Market membership. There is also little doubt that De Gaulle is opposed. Since the Five are aware of continued French opposition but nevertheless see in British membership the political stimulus which the EEC needs, they are not unmindful that a British move could provoke a new crisis. The deputy French permanent representative in Brussels, however, recently observed that a "bold move" by the UK to apply for full membership would "put France's back to the wall." The Five nevertheless always state with absolute firmness that the sine qua non of a British bid is acceptance by the UK of the basic provisions of the community treaty. That a new German government would be willing to differ with France over British entry is open to doubt, but in any case it is only unambiguous UK support for the Rome treaty which would give the Germans--as well as the others of the Five--a firm basis for such a confrontation.

East and West

The ultimate test of the idea that unity in Western Europe cannot withstand the thaw in relations between Eastern and Western Europe may not come about until, and unless, West Germany begins exploring on its own the possibilities for German reunification. In the nearer future, the issue of Austrian association with the Common Market may signal whether the Soviet Union intends to maintain a hostile attitude or to soften its stand and implicitly recognize the EEC, and even seek concessions from it.

Currently, the problem of Western European unity in the context of East-West detente is highlighted by the recent Polish and Czech offers--made at the International Atomic Energy Agency's general conference in Vienna--to place nuclear facilities under the IAEA safeguard system if West Germany would reciprocate. The response of the Six has been, for varying reasons, to seek recourse by rallying around EURATOM. Some Germans may have been tempted to respond favorably to the offers and others to reject them outright as a propaganda ploy or as rank discrimination against Germany. Bonn has in fact officially taken a noncommittal position, and announced it would search for an answer in consultation with its EURATOM partners.

Some French officials in Vienna initially responded

favorably to the Eastern proposals as a significant breakthrough in extending international controls into Communist states, but Paris lost no time in defending the complete adequacy of EURATOM's controls over German nuclear programs. Although they emphasized France's long-standing opposition to the intrusion of IAEA inspection into EURATOM territory and the consequent possibility of Communists having access to French atomic plants, French officials privately made it clear that France considers maintenance of EURATOM integrity vital to French interests vis-a-vis the Germans. One official said that Paris considers EURATOM inspection of its own programs the price France has to pay for the benefit of being able directly to keep an eye on German programs.

The EURATOM Commission is considering proposing a reply to the Eastern offer by way of requesting establishment of relations between EURATOM and the IAEA. If the French accepted EURATOM in the first place in order to maintain surveillance of German nuclear development, they might concede some degree of cooperation with IAEA in order to preserve the good name and international standing of EURATOM.

Conclusions

Given the commitment made thus far to European economic integration, it is logical to believe that in the long run common solutions will be found to energy policy, regional planning, fiscal policy, and other such problems. The assumption is that interstate relations among the Six and between the Six and prospective members do not seriously worsen. The danger, however, of lack of movement in the short run is precisely that negative forces already at work could lead to increasing disunity. Such disunity could arise not only from national economic competition for markets and resources no longer growing at the high rate of the Common Market's early years; it could also come from rivalry for special ties with the Communist bloc on one side, and the US on the other.

Of the two sources of strength on which European unity must continue to draw in its still early phases--increasing legitimacy for the present common institutions on the one hand, and enlargement to include substantially all of democratic Europe on the other--only in the latter area is movement likely in the near future. This is largely because the initiative, as distinct from the response, does not lie with the community. It is also the issue on which France may find it more difficult to resist. Outright opposition to a British application would be more likely to isolate France than in 1963. The risk to France would be that, unlike the situation in the boycott of last year, the British would have provided, by stating their intention, the prospect of an alternative--even if an interim one--to a truncated community of Six.

In new bids for EEC membership there is of course the possibility that France would respond favorably, and then attach conditions to its approval in an attempt to weaken the community structure. An important factor, however, in the recent British interest in the community has been the indication, even from Prime Minister Wilson, of acceptance of the loss of sovereignty involved in subscribing to the Rome treaty. Moreover, although Paris would be the last to acknowledge it, the supranational elements of the community act in part to safeguard France's own interests in continuation of the CAP system.

Even more important, it seems unlikely that Britain, and others, once having made up their minds to "join Europe," would be willing to tolerate a system which lacked effective decision-making machinery and guarantees against the dictates of the strongest member. (SECRET NO FOREIGN DISSEM)

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